LEGISLATIVE ALERT

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FARM BILL REAUTHORIZATION

MORE SPENDING, NO REFORM, A PAYGO SHAM

(H.R. 2419)

In what is becoming common practice for the Democrat Majority, the Farm Bill reauthorization calls for massive new entitlement spending, no serious reform, and a mockery of the Majority's celebrated pay-as-you-go [PAYGO] rule. Here are some details.

- ***The Bill Extends Farm Commodity Programs With No Real Reform.*** At a time of record-high prices and prosperity for many farmers, the Farm Bill extends farm commodity programs for 5 years with little or no reform.

- ***Its Payment Limit is a Sham.*** The bill purports to reform farm commodity program payment limits, but it is simply window dressing. The bill contains a modest reduction in the effective limit on direct payments, but it also eliminates current law's limit on marketing loan benefits – thus removing even the pretense of a limit in this program

- ***It Calls for Anti-Competitive Tax Increases and Recycled Energy Fees.*** To help finance its higher spending, the measure increases gross receipts taxes on certain foreign-owned American businesses, such as Food Lion, Nestle, Bayer, and Honda North America by $7.5 billion over 10 years. These tax increases abrogate trade treaties, discourage investment in the United States, and weaken U.S. competitiveness in the global market. The bill also recycles Outer Continental Shelf fees for another $6.5 billion in "savings."

- ***It Increases Entitlement Spending.*** With every budget expert warning about the unsustainable growth of entitlements, the Farm Bill increases entitlement spending, including higher subsidies for wheat, soybeans, barley, and oats – and even a higher government support price for sugar. The "official" spending increase for the bill, according to the Congressional Budget Office [CBO], is $14 billion over 10 years. But because the bill uses more than $5 billion in phony offsets (see below), the real cost is $19 billion over 10 years.

- ***It Makes a Mockery of PAYGO.*** The bill's phony offsets include delaying arm and crop insurance payments, and accelerating crop insurance premiums payments, circumventing PAYGO with $4.7 billion in illusory "savings." But CBO has noted: "All of those outlays would ultimately occur in subsequent years." The bill also takes credit for about $400 million in savings from provisions aimed at detecting fraudulent payments. Under CBO's usual guidelines, these "savings" would not be counted – but CBO says was *directed* to score them.

- ***It Undercuts Multi-lateral Trade Liberalization Efforts.*** Trade-distorting farm subsidies in both Europe and the U.S. have slowed progress in reducing trade barriers around the world. The Farm Bill's shift toward even higher such subsidies (as noted above) will further undercut this important effort.

Authorized by . . . . Paul Ryan, Ranking Republican